SENATE BILL 397

Q3 7lr1560

By: **Senators Edwards and Madaleno**
Introduced and read first time: January 27, 2017
Assigned to: Budget and Taxation

A BILL ENTITLED

AN ACT concerning

Local Income Tax Overpayments – Local Reserve Account Repayment – Forgiveness

FOR the purpose of repealing a requirement that a county or municipal corporation that receives a certain overpayment of local income tax revenue reimburse a certain account for its share of the overpayment; repealing a certain requirement that the Comptroller withhold, under certain circumstances, the amount certain counties or municipal corporations owe to a certain account from certain distributions; prohibiting the Comptroller from requiring a county or municipal corporation that receives an overpayment to reimburse a certain account; repealing a certain requirement that the Comptroller perform a certain analysis before requiring a county or municipal corporation to make a certain reimbursement; and generally relating to the requirement that certain counties or municipal corporations repay certain overpayments of local income tax revenue.

BY repealing and reenacting, with amendments,
Article – Tax – General
Section 2–611
Annotated Code of Maryland
(2016 Replacement Volume)

BY repealing
Chapter 24 of the Acts of the General Assembly of 2016
Section 2

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Tax – General

2–611.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.

(a) In this section, "account" means the Local Reserve Account established to comply with § 2–606 of this subtitle.

(b) This section applies to a county or municipal corporation that receives an overpayment or underpayment of local income tax revenue from the Comptroller.

(c) After reviewing income tax revenue distributions to a county or municipal corporation, if the Comptroller determines that the county or municipal corporation received an underpayment of income tax, the Comptroller shall initially pay the amount due to the county or municipal corporation from the account.

(d) **[**(1)**]** After reviewing income tax revenue distributions to a county or municipal corporation, if the Comptroller determines that the county or municipal corporation received an overpayment of income tax, **[**the county or municipal corporation shall reimburse the account for its share of the overpayment.

(2) If the affected county or municipal corporation does not reimburse the account in a timely fashion, the Comptroller shall withhold the amount owed to the account from the quarterly income tax distributions in forty equal installments beginning with the first applicable quarterly distribution made after the county or municipal corporation has made its final reimbursement payment, if required to do so, under § 27 of Chapter 489 of the Acts of 2015, as amended.**]** **THE COMPTROLLER MAY NOT REQUIRE THE COUNTY OR MUNICIPAL CORPORATION TO REIMBURSE THE ACCOUNT FOR ITS SHARE OF THE OVERPAYMENT.**

(e) A determination by the Comptroller under this section that a county or municipal corporation received an underpayment or overpayment of income tax shall be based on a full accounting of income tax returns for the taxable year for which the county or municipal corporation received the underpayment or overpayment.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Chapter 24 of the Acts of 2016

[SECTION 2. AND BE IT FURTHER ENACTED, That the Comptroller may not require a county or municipal corporation to make a reimbursement payment under § 2–611 of the Tax – General Article until the Comptroller completes a statewide analysis to determine the number of counties or municipal corporations that received an overpayment or underpayment of local income tax revenue.**]**

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2017.